

**PUBLIC DISCLOSURE**

JULY 2, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**GRAPHIC ARTS CREDIT UNION**

**5 CRYSTAL POND ROAD  
SOUTHBOROUGH, MA 01772**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Graphic Arts Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency as of July 2, 2001.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

This examination was conducted utilizing three performance criteria for small institutions: 1) Average Loan to Share Ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. The two geographical criteria were not considered as the institution defines membership by affiliation rather than location.

The credit union's lending activity has displayed an upward trend during the current exam period. The credit union's average loan to share ratio of 78.4 percent for the current examination afforded the credit union a rating of satisfactory performance in this category.

Lending to Borrowers of Different Incomes was satisfactory based on the reasonable percentage of loans granted to low and moderate-income members.

The credit union has adequately addressed the fair lending guidelines set forth in the Division of Bank's Regulatory Bulletin 2.3-101. The credit union meets the standards for satisfactory performance in this category.

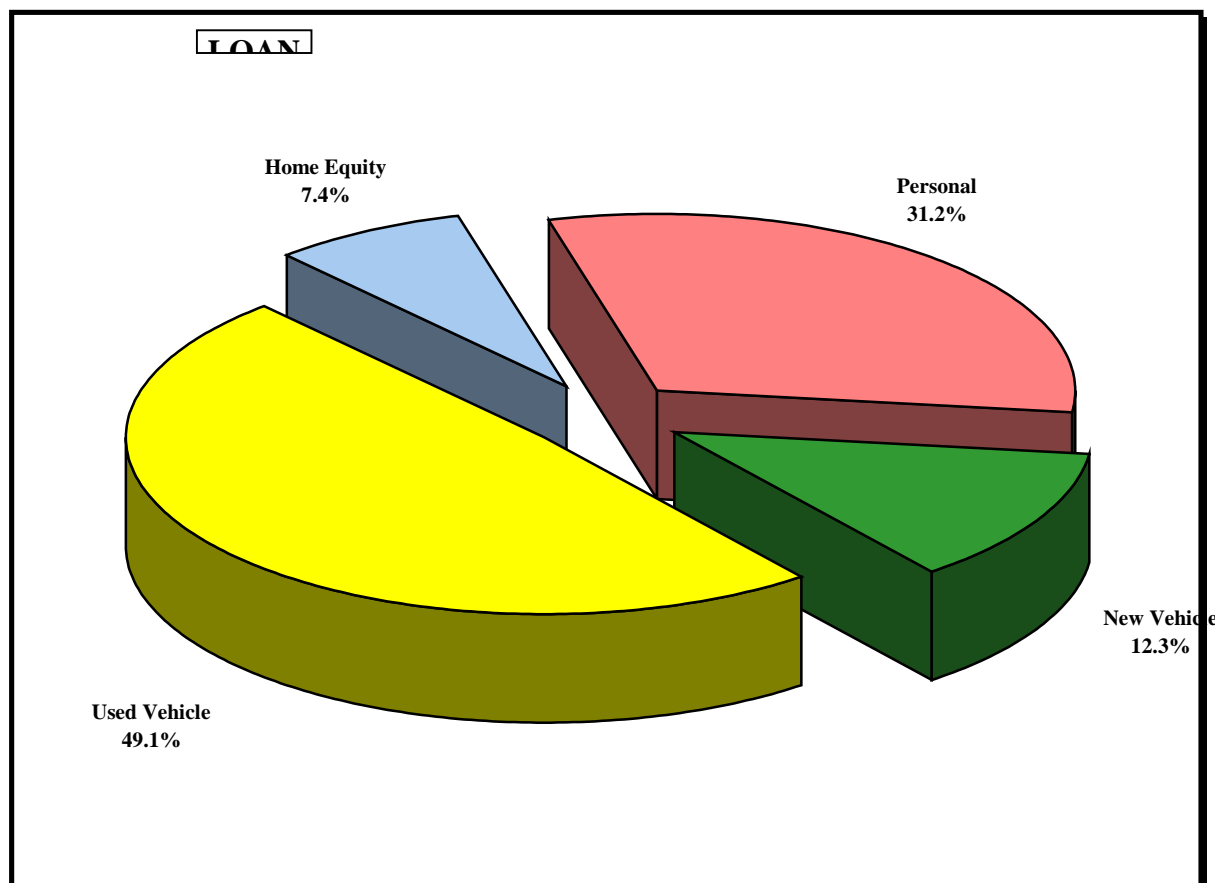
## **PERFORMANCE CONTEXT**

### **Description of Institution**

Graphic Arts Credit Union was incorporated under the laws of the Commonwealth of Massachusetts in 1977. The credit union is sponsored by the Printing Industries of New England (PINE). This non-profit management trade association assists, serves and promotes the profitable progress of graphic communication professionals in New England primarily through education. Graphic Arts Credit Union is headquartered in Southborough, Massachusetts at 5 Crystal Pond Road.

As of December 31, 2000, Graphic Arts Credit Union had approximately \$4,545,917 in assets of which 80.6 percent are in the form of loans. The types of credit available include new and used automobile loans, personal loans, and home equity loans. The credit union is primarily a consumer lender with 92.6 percent of its loan portfolio representing consumer loans. The remaining 7.4 percent represent home equity loans.

Refer to the following graph for additional information.



The criteria for the various types of credit offered was reviewed during the examination, as were the procedures for completing a loan application, and no practices intended to discourage applications were found. The credit union originates loans of all amounts, and rates, terms and conditions are competitive with other credit unions of similar size and type.

The credit union operates out of one office. Office hours are from 8:30 a.m. to 4:00 p.m. Monday through Friday. In addition, members have 24-hour account access via telephone. The credit union's hours are considered convenient and accessible to its members. The credit union does not have Automated Teller Machines (ATMs) however ATM cards are made available to its membership and may be used at all ATMs. Currently, the credit union has 2,752 members.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks as of July 7, 1998. That examination resulted in a CRA rating of Satisfactory.

### **Description of Assessment Area**

According to the revised Massachusetts Community Reinvestment Act Regulation, 209 CMR 46.41, a credit union whose membership is not based on residence may delineate its membership as its assessment area.

The credit union has defined its assessment area per its by-laws which states: "Membership in this credit union is limited to employees of and employees of members of Printing Industries of New England, The Printing Industry of Connecticut and Western Massachusetts and their immediate families living in the same household." The term "employees of members" refers to approximately 500 printing businesses based within the New England area. The above stated bylaws are dated January 1999.

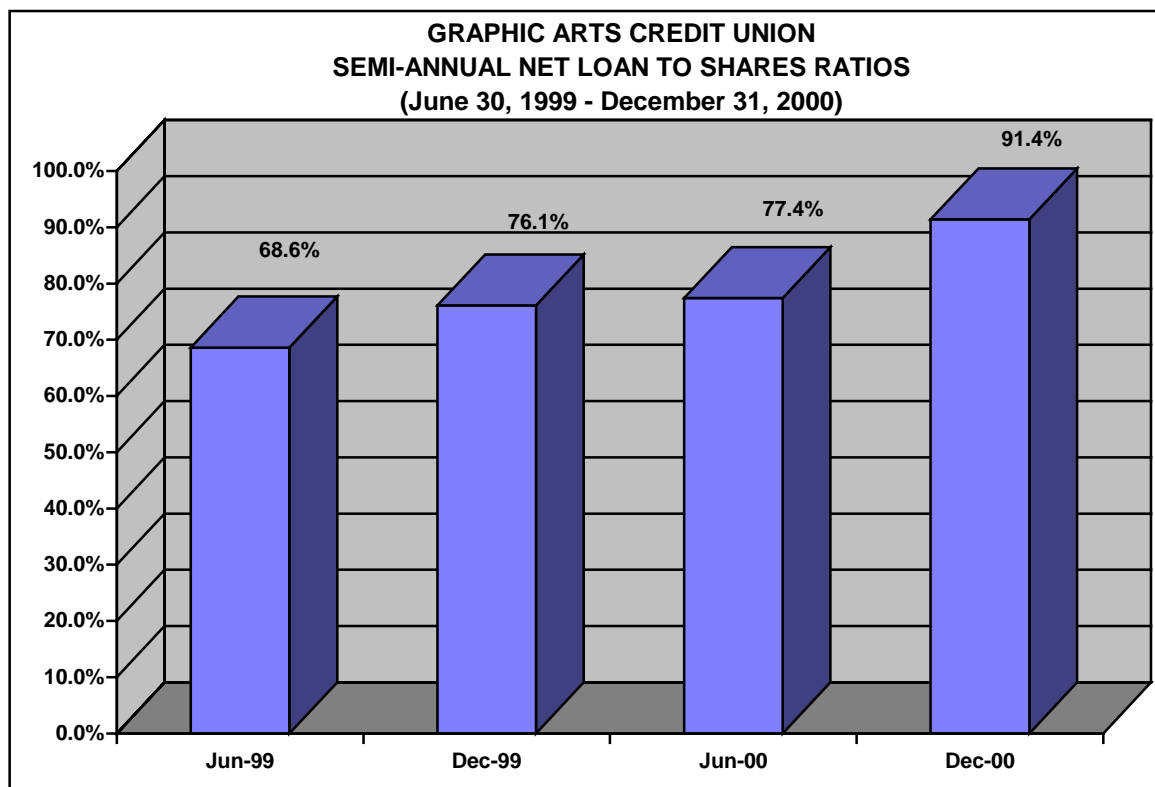
The location of the credit union places it within the Boston Metropolitan Statistical Area (MSA).

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

A comparative analysis of Graphic Arts Credit Union's semi-annual net loan-to-share ratios for the period of June 30, 1999, through December 31, 2000, was conducted during this examination. Using the credit union's semi-annual 5300 Reports, the average net loan-to-share ratio for this period was 78.4 percent. This ratio is based on loans net of the allowance for loan and lease losses as a percentage of total shares.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

The credit union's loan to share ratios showed a general increase during the examination period. However, there was a significant increase during the December 2000 period. The increase from 77.4 percent to 91.4 percent was due to withdrawal activity. Taking into consideration the relatively small asset size of the credit union, a number of substantial individual withdrawals could significantly effect the ratio for any given period.

Based on the above information and the credit union's capacity to lend, the types of loans available at the credit union, and the lending opportunities available for its membership, the credit union's net loan-to-share ratio is considered to meet the standards for satisfactory performance.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

This performance criterion examines an institution's record of lending within its assessment area. However, according to the Massachusetts CRA regulation, 209 CMR 46.41, a credit union whose membership is not based on residence, such as the Graphic Arts Credit Union, may define its assessment area as its membership. Since Graphic Arts Credit Union has elected to define its membership in this manner, no evaluation of geographic performance was conducted.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

Under this performance criterion, the extent to which Graphic Arts Credit Union lends to borrowers of different income levels is evaluated. The following analysis of borrower income distribution for consumer loans granted in 1999, 2000 and year-to-date ("Y-T-D") June 30, 2001 indicates that the credit union's lending meets the standards for satisfactory performance.

The credit union extended 327 consumer loans in 1999, 367 consumer loans in 2000, and 105 consumer loans through June 2001. The originations include personal and automobile loans. A sample of 75 consumer loans was reviewed to determine the distribution of credit based on borrower income level. The consumer loans sampled were evaluated by comparing the income of each borrower to the median family income for the Boston Metropolitan Statistical Area (MSA). The originations were categorized by the ratio of the applicant's reported income to the estimated 1999, 2000 and 2001 median family incomes of the Boston Metropolitan Statistical Area (MSA), which are \$62,700, \$65,500 and \$70,000 respectively. The above income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the Metropolitan Statistical Area (MSA). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

According to the analysis, the majority of the sample of consumer loan originations by number (50.7%) was granted to moderate-income borrowers, followed by loans to low-income borrowers with 26.6%.

Refer to the following table for further analysis.

**Consumer Loan Origination by Income of Borrower by Number**

% OF MEDIAN INCOME	1999		2000		Y-T-D 2001		TOTAL	
	#	%	#	%	#	%	#	%
<50%	6	24.0	4	16.0	10	40.0	20	26.6
50% - 79%	14	56.0	11	44.0	13	52.0	38	50.7
80% - 119%	4	16.0	5	20.0	2	8.0	11	14.7
120%<	1	4.0	5	20.0	0	0.0	6	8.0
<b>TOTAL</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>25</b>	<b>100%</b>	<b>75</b>	<b>100%</b>

Source: In-house records 1999, 2000 and year-to-date June 30, 2001

The analysis further indicates that 49.9% of the dollar amount of consumer loans was granted to members of moderate income, and 18.8% was granted to low-income members.

Refer to the following table for further analysis.

**Consumer Loan Origination by Income of Borrower by Dollar Amount**

% OF MEDIAN MSA INCOME	1999		2000		Y-T-D 2001		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	48	19.4	21	11.2	33	30.5	102	18.8
50% - 79	144	58.3	74	39.4	53	49.1	271	49.9
80% - 119%	53	21.5	36	19.1	22	20.4	111	20.4
120%<	2	0.8	57	30.3	0	0.0	59	10.9
<b>TOTAL</b>	<b>247</b>	<b>100%</b>	<b>188</b>	<b>100%</b>	<b>108</b>	<b>100%</b>	<b>543</b>	<b>100%</b>

Source: In-house records 1999, 2000 and year-to-date July 2, 2001.

It should be noted that consumer loans typically consider the income of only one borrower while the analysis is based on a comparison to median family income. This tends to inflate the penetration of low and moderate-income categories. Nevertheless, the above activity demonstrates the credit union's willingness to lend to borrowers of all income levels.

Based upon the analysis of consumer loans by borrower income, it appears that the credit union's lending is adequately distributed to members of various income levels, including those of low and moderate-income. The credit union is therefore considered to meet the standards for satisfactory performance for this category.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The Massachusetts CRA regulation 209 CMR 46.41 allows credit unions whose membership by-laws provisions are not based on residence to designate its membership as its assessment area. Therefore, since Graphic Arts Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

##### **REVIEW OF COMPLAINTS**

Graphic Arts Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

##### **FAIR LENDING POLICIES AND PRACTICES**

The credit union's small size and resources limit the extent to which it can address the requirements of the Division of Bank's Regulatory Bulletin 2.3-101. Credit products are limited due to the institution's size. Some outreach and marketing activities take place although resources also affect them. The credit union provides brochures in its main office and also includes them as statement stuffers, in order to continuously inform members of products and services offered. The credit union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are reviewed by the Credit Committee prior to issuing a written notice of denial.

The criteria for the various types of credit offered was reviewed during the examination, as well as the procedures for completing a loan application, and no practices intended to discourage applications were found. Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.



**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**GRAPHIC ARTS CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 2, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.